It is my duty to submit to the Board of Directors ("Directors") of Anex International Holdings Limited (the "Company") the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005.

RESULTS

The Group's turnover rose by 17.4% to HK$280.9 million for the year (2004: HK$239.2 million) while consolidated loss attributable to shareholders was reduced by 86.0% to HK$1.3 million (2004: HK$9.3 million). The loss per share amounted to HK0.29 cents for the current year (2004: HK2.02 cents).

DIVIDEND

The Directors do not recommend the payment of any dividend (2004: Nil) for the year ended 31 March 2005.

BUSINESS REVIEW

The Group achieved a significant growth in turnover during the year by 17.4% to HK$280.9 million (2004: HK$239.2 million). However, a loss of HK$1.3 million (2004: HK$9.3 million) was recorded as rises of raw material cost continued to erode profit margin during the year under review.

Sales of our core business in design and manufacture of electrical appliances recorded an increase of 20.8% during the year. While sales to Europe in the second half was a bit slower than in the first half, that area still registered an annual sales growth of 18.0%. On the other hand, sales to North America in the second half made up for the loss of the first half and was able to achieve a strong growth of 22.1% for the whole year. Meanwhile, sales to South America and Asia Pacific region also recorded remarkable increases in sales of 48.8% and 27.7% respectively during the year.

During the year under review, we were able to drive down our selling and distribution cost and capped our factory overheads to last year's level through saving from scale economics on larger volume of production. However, the performance of the core business of the Group has been constrained by the persistent rises of the raw material cost and the surges of wages and salary in the PRC operation while only part of the increased cost could be passed on to our customers. As a result, the core business recorded a small loss despite achieving a significant sales growth.

The merchandise business through the trading division of the Group's subsidiary in Germany recorded a decrease in sales of 15.6%. Gross profit margin was squeezed by the rises of the product procurement cost but this hasn't translated smoothly into prices of goods because of severe price competition in the market, resulting in a small loss for the year under review.

PROSPECTS

At present, the demand for the Group's products remains strong and positive. However, we expect high raw material cost will continue to put pressure on the performance of the Group in the coming year. To alleviate such impact, a number of steps have been taken to meet the challenge.

We have streamlined our sales and marketing operations to enhance its services to customers' needs throughout the product design, manufacturing, quality control and distribution process. Such measures would help to expand our customer base and open up new opportunities for more collaboration with key customers with the aim to generate more business. On the other hand, we will invest prudently in R&D technology to strengthen our capability in developing new products with enhanced features to improve profitability. We will also continue to invest in modern energy-saving machinery to save energy and at the same time enhance our production efficiency.

Although the operating environment is expected to remain tough in the near-term, the Group will stay focus to improve its operational efficiency and overcome any challenge on its way to deliver better performance in the coming year.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to the management and staff for their contribution and dedication to the Company.

By Order of the Board
Kwok Hon Ching
Chairman

Hong Kong
25 July 2005